

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

Date: April 22, 2008

Bill Number: H.4887 (as amended by W&M 4/16/08)

Author: Kirsh and Cotty

Committee Requesting Impact: Ways and Means

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Sections 12-54-52 and 12-54-53 so as to provide that, for purposes of taxes administered by the Department of Revenue, Internal Revenue Code Sections 6694 and 6695, respectively, are adopted; and to amend Section 12-6-50, as amended, relating to IRC Sections adopted by this state, so as to conform to those additions; to amend Section 4-9-195, as amended, relating to special property tax assessments granted to certain property, so as to further provide for certification of low and moderate income rental property that does or does not qualify for a historical designation; to amend Section 11-35-5230, as amended, relating to regulations for negotiations with state minority firms, so as to change statutory references from "minority firms" to "socially and economically disadvantaged small businesses", and to change the delineation of the ten-year period for which the subject tax credit may be claimed; to amend Section 11-45-55, as amended, relating to tax credit certificates in connection with the venture capital investment act, so as to provide for the exchange of information among certain departments and their employees and agents; to amend Section 12-2-20, as amended, relating to the definitions of "person" and "individual" for purposes of taxes administered by the Department of Revenue, so as to clarify the meaning of "person"; to amend Section 12-6-590, as amended, relating to treatment of "S" corporations for tax purposes, so as to include additional references to the Internal Revenue Code for similar state treatment; to amend Section 12-6-2250, as amended, relating to the apportionment of income derived by a taxpayer to the taxpayer's conduct of business in this state, so as to change the word "allocated" to "apportioned"; to amend Section 12-6-3360, as amended, relating to the job tax credit against the state income tax, so as to delete a reference to general contractors in connection with the term "corporate office"; to amend Section 12-6-3376, relating to a credit against the state income tax for the purchase or lease of a plug-in hybrid vehicle, so as to require that the credit be the first claimed for that vehicle, to provide for regulations promulgated by the State Energy Office, to further provide for claiming the capped credit, and to provide for the effect of a repeal of the caps on the credit; to amend Section 12-6-3377, relating to the alternative motor vehicle fuel credit against the state income tax, so as to further provide for the calculation of the credit for business use and to delete a provision deeming the federal tax treatment of the alternative fuel credit to be permanent; to amend Section 12-6-3535, as amended, relating to a credit against the state income tax for rehabilitation of a historic structure, so as to include a credit against the corporate license fees; to amend Section 12-6-3585, as amended, relating to the industry partnership fund credit against state taxes, so as to allow the credit to be used against the taxpayer's applicable state income tax, bank tax, insurance premium tax, or license fee liability; to amend Section 12-6-3587, as amended, relating to the credit against state income tax for the purchase and installation of a solar energy system, so as to provide that the credit is available for a building, or buildings on a single site, that the credit be claimed in the tax year the installation is completed, and that the State Energy Office prescribe certification requirements; to amend Section 12-6-3630, relating to a credit against certain state taxes for a contribution to the South Carolina Hydrogen Infrastructure Development Fund, so as to further provide for claiming the credit; to amend Section 12-6-5060, as amended, relating to the designation of charitable contributions on the state income tax return, so as to change an organization's name from "the Gift Of Life Trust Fund of South Carolina" to "Donate Life South Carolina"; to amend Section 12-8-1530, relating to withholding and reporting taxes on income, so as to authorize the Department of Revenue to allow a taxpayer to withhold and report taxes annually on income from certain activities; to amend Section 12-10-80, as amended, relating to the job development credit in connection with the Enterprise Zone Act of 1995, so as to provide for the treatment of a return of an overpayment of withholding resulting from claiming the credits; to amend Section 12-20-100, relating to license tax on utilities based on property value and gross receipts, so as to delete a reference to the Department of Revenue; to amend Section 12-20-105, as amended, relating to credits against its license tax liability for a company who pays cash for infrastructure for an eligible product, so as to provide for the continuation of eligibility for the credit under certain circumstances for a company that contributes the cash to a county or political subdivision for an eligible product even if the project is disposed of or remains uncompleted; to amend Section 12-36-910, as amended, relating to the state sales tax, so as to delete a redundancy; to amend Section 12-36-2120, as amended, relating to exemptions from the state's sales tax, so as to specify notification requirements for claiming the exemption on the construction materials used in certain single manufacturing and distribution facilities and to provide for assessment of any tax due, to specify that the

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

exemption in connection with the sale of currency applies to currency that is legal tender, and to clarify the exemption as to durable medical equipment and related supplies; to amend Section 12-37-90, relating to responsibilities and duties of assessors, so as to disallow the alteration of an assessment by the Department of Revenue; to amend Section 12-37-220, as amended, relating to properties exempted from the assessment of property taxes, so as to correct a cross-reference and to make a definitional change for "full-time" job; to amend Section 12-44-30, as amended, relating to definitions for purposes of the fee in lieu of tax simplification act, so as to modify a cross-reference in the definition of "sponsor"; to amend Section 12-54-85, as amended, relating to time limitation for assessment of taxes or fees by the Department of Revenue, so as to provide for the instance of a taxpayer lacking a valid business purpose; to amend Section 12-54-240, as amended, relating to disclosure of records and reports by agents of the Department of Revenue, so as to provide that the disclosure be wilful for criminal penalties and termination to attach and so as to cite the agents and employees of several agencies; to amend Section 12-54-250, as amended, relating to payment to the Department of Revenue in readily available funds, so as to require the payment of a person owing fifteen thousand dollars or more or a withholding agent making at least twenty-four payments a year, to provide for exemptions by the department, and to require electronic filing of the accompanying returns; to amend Section 12-60-20, as amended, relating to the general assembly's intent in connection with a dispute interpreted and construed pursuant to the South Carolina Revenue Procedures Act, so as to clarify certain language; to amend Section 12-60-510, as amended, relating to exhaustion of remedies before requesting a hearing before the Administrative Law Court in connection with the Revenue Procedures Act, so as to disallow the removal of an assessment against a defaulting taxpayer by the court; to amend Section 12-63-20, relating to the Energy Freedom and Rural Development Act, so as to define "biodiesel" for that purpose and to reference the date of purchase of the vehicle or the conversion equipment for purposes of claiming a rebate against the sales tax; to amend Section 44-43-1360, as amended, relating to the change from "Gift of Life Trust Fund" to "Donate Life South Carolina", so as to correct a cross-reference; to amend Section 46-3-260, relating to the establishment of the South Carolina Renewable Energy Infrastructure Development Fund, so as to provide for administration of the fund by the Department of Agriculture in coordination with the State Energy Office; to add Chapter 64 to Title 12 so as to enact the "South Carolina Textiles Communities Revitalization Act", providing for definitions of "textile mill", "textile mill site", and "notice of intent to rehabilitate", and an enhanced definition of "rehabilitation expenses"; for tax credits against local property taxes or state income tax and corporate license tax, in addition to the tax credit for expenses incurred in the rehabilitation of a historic structure; for the amount of the credits and processes for claiming them including requirement of filing a notice of intent to rehabilitate; to repeal Chapter 32 of Title 6 relating to the South Carolina Textiles Communities Revitalization Act; to add Chapter 66 to Title 12 so as to enact the "South Carolina Retail Facility Revitalization Act", providing for definitions of "retail facility", "retail facility site", and "notice of intent to rehabilitate", and an enhanced definition of "rehabilitation expenses"; for tax credits against local property taxes or state income tax and corporate license tax, in addition to the tax credit for expenses incurred in the rehabilitation of a historic structure; for the amount of the credits and processes for claiming them including requirement of filing a notice of intent to rehabilitate; to repeal Chapter 34 of Title 6 relating to the South Carolina Retail Facility Revitalization Act; to add Chapter 68 to Title 12 so as to enact the "South Carolina Motion Picture Incentive Act of 2008", revising and updating tax incentives for motion picture productions in this state by adding and modernizing definitions, making technical corrections, eliminating the rebate of state and local sales taxes provided under former law, providing for the carry forward of rebate funds to avoid multiple applications, clarifying the wage incentive and resident hiring bonus, establishing a five-year apprenticeship program, increasing the number of days state property may be used without fee from seven to ten days, and providing additional requirements for film credits for this state; to repeal Chapter 62 of Title 12 relating to the South Carolina Motion Picture Incentive Act; to exempt from the admissions license tax for the five years beginning July 1, 2008, all paid admissions to a motorsports entertainment complex and to define motorsports entertainment complex; to amend Sections 4-12-30 and 4-29-67, both as amended, relating to fees in lieu of property taxes, so as to provide for the treatment of replacement property, to revise fee filing requirements and provide a civil penalty for violations, to provide further for property eligible for the fee; to amend Section 12-6-3410, as amended, relating to the corporate headquarters income tax credit, so as to revise definitions relating to entities eligible for the credit; to amend Sections 12-44-30, 12-44-50, 12-44-60, 12-44-90, and 12-44-110, all as amended, relating to definitions, fee agreements, replacement property, filing of returns and payments, and property ineligible for fees in lieu of tax and exceptions thereto, for purposes of the Fee in Lieu of Tax Simplification Act of 1997, so as to provide that

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

the benefits of tax exemptions and the fee agreement ends after the termination date, to provide for the treatment of replacement property, to revise fee filing requirements and provide a civil penalty for violations, and to provide further for property eligible for the fee; to amend Section 12-6-3600, as amended, relating to a tax credit for ethanol and biodiesel production facilities, Section 12-6-3610, as amended, relating to a tax credit for the use of property in connection with distribution or dispensing of renewable fuel, Section 12-6-3620, as amended, relating to a tax credit for the purchase and installation of equipment to produce energy from biomass resources, and Section 12-6-3631, relating to a tax credit for biodiesel research and development expenditures, all so as to provide for the qualification for the credits, the processes for claiming the credits for the previous calendar year, clarification and definition of additional terms, and effects of repeals of the credit caps, and to delete the cap on the credit in connection with distribution and dispensing of renewable fuel; to amend Section 12-14-80, as amended, relating to the economic impact zone tax credit, so as to restate the credit as an investment tax credit, provide that the credit is available for the placement in service of certain qualified equipment and a commitment to the required capital investment, provide for qualifications for and limitations on the credit, and to provide for the process for claiming the credit; to amend Section 12-28-110, as amended, relating to definitions in connection with motor fuels subject to user fees, so as to add fuel grade ethanol; to amend Section 12-28-310, as amended, relating to imposition of the user fee on motor fuels, so as to include fuel grade ethanol; to amend Section 12-28-710, relating to exemption from the user fee on motor fuel, so as to exclude the exemption for kerosene and diesel fuel when they are used to propel a vehicle on the highway; to amend Section 12-28-790, as amended, relating to refund claims, so as to further provide for the claim process; to amend Section 12-28-905, as amended, relating to the user fee on fuels imported to this state, so as to delete references to fuel imported by a licensed occasional importer and make technical changes; to amend Section 12-28-925, as amended, relating to collection of the user fee by certain sellers, so as to delete reference to a bonded importer; to amend Section 12-28-975, as amended, relating to diversion of motor fuel subject to the user fee, so as to provide time requirements for a licensed or unlicensed importer for notifying the state of the diversion and paying the fee to the state, to delete references to regulations establishing those requirements for licensed importers, and to delete provisions for suppliers to assume the liability of importers or claims of exporters; to amend Section 12-28-990, as amended, relating to liability of certain vendors of motor fuels subject to the user fee for the unpaid fee, so as to provide for payment of the fee; to amend Section 12-28-1125, as amended, relating to importers' licenses, so as to delete reference to an occasional importer's license and to reduce the fee for a bonded importer's license; to amend Section 12-28-1130, as amended, relating to tank wagon importers of motor fuel, so as to delete the exemption for an importer otherwise licensed as an importer; to amend Section 12-28-1139, as amended, relating to licensing of persons liable for the user fee, so as to provide for a blender/vendor license and a manufacturer's license; to amend Section 12-28-1155, as amended, relating to bonding of suppliers of motor fuel subject to the user fee, so as to exempt certain vendors and manufacturers from the bonding requirement; to amend Section 12-28-1300, as amended, relating to reporting requirements, so as to delete reference to a customer's user fee liability; to amend Section 12-28-1310, as amended, relating to verified statements filed by licensed bonded importers, so as to further provide for the information required; to amend Section 12-28-1370, as amended, relating to a transporter of motor fuel, so as to make a technical change; to amend Section 12-28-1390, as amended, relating to a vendor of fuels not subject to the user fee, and to add Sections 12-28-1396 and 12-28-1397, all so as to provide for the time requirements for reporting and paying the user fee; to amend Sections 12-28-1535, 12-28-1540, 12-28-1545, 12-28-1720, and 12-28-1730, all as amended, and all relating to restrictions on selling, using, delivering, storing, or importing motor fuels subject to the user fee, all so as to provide for civil penalties and to delete criminal penalties except as to nonpayment of the user fee over to the state; to repeal Section 12-28-1305 relating to the licensed occasional importer; to add Section 12-59-85 so as to provide that a forfeited land commission may refuse to accept title to property bid on by the county auditor; to amend Section 12-37-220, as amended, relating to property exempted from taxation in this state, so as to exempt a mobile home worth less than two thousand five hundred dollars; to amend Section 12-37-714, as amended, relating to property taxation of a boat for the time period in which it is located in this state, so as to revise the time periods; to amend Section 12-37-2725, as amended, relating to registration of a licensed vehicle in another state, so as to provide for a receipt form to substitute for return of the license plate and registration certificate to this state; to amend Section 12-39-220, relating to assessment of real estate omitted from a duplicate or return, so as to include personal property; to amend Section 12-51-50, as amended, relating to sale of property at a tax sale, so as to provide that the sale occur on an advertised date and to delete the requirement

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

of regular hours; to amend Section 12-51-70, relating to a defaulting bidder in a tax sale, so as to increase his liability from three hundred to one thousand dollars; to amend Section 12-54-85, as amended, relating to collection and enforcement of taxes, so as to provide for a time limitation for assessment of taxes or fees for property omitted from a duplicate or return; to amend Section 61-6-20, as amended, relating to definitions for purposes of the alcoholic beverage control act, so as to specifically describe activities that constitute "bona fide engaged primarily and substantially in the preparation and serving of meals"; to amend Section 61-6-1610, as amended, relating to a licensed premises "bona fide engaged primarily and substantially in the preparation and serving of meals", so as to add definitions and to provide for display of the license; to amend Section 61-6-2010, as amended, relating to a fifty-two week temporary permit, so as to provide for a prorated refund under certain circumstances; to amend Section 12-6-40, as amended, relating to the application of the federal internal revenue code to state tax laws, so as to include the IRC as amended through 2007; to amend Section 12-6-1120, as amended, relating to computation of South Carolina gross income, so as to exclude Tier III Railroad Retirement Benefits; to amend Section 12-28-955, relating to retaining a portion of the user fee for administrative costs, so as to delete the retention in favor of requesting a refund from the Department of Revenue in specified amounts for expenses or annual administrative costs; to amend Section 12-44-30, as amended, relating to definitions for purposes of the Fee in Lieu of Tax Simplification Act, so as to modify a cross reference in the definition of "sponsor"; to add Section 12-45-17 so as to require annual continuing education training for county tax collectors; and to amend Section 12-54-70, as amended, relating to extensions of time for the filing of tax returns or payment of taxes due, so as to conform the extension to the corresponding federal extended time period.

REVENUE IMPACT^{1/}

This bill, as amended, and summarizing all the bill sections with a revenue impact would result in a net increase of \$1,446,315 in General Fund revenue in FY 2008-09. Of this total, General Fund income tax revenue would increase by \$1,095,342. General Fund license fee revenue would increase by \$650,000, General Fund sales tax revenue would increase by \$718,080, admissions tax revenue would decrease by \$800,000, alcoholic beverage license fees would be reduced by \$3,050, and motor fuel fees would be reduced by \$214,057. Non-General Fund allocations to the Homestead Exemption and the EIA Funds would increase by \$179,520, respectively, accommodations tax revenue allocated to local governments would increase by \$44,500, bingo license fees allocated to the Secretary of State would decrease by \$1,250, and local property taxes would decrease by \$1,040,000 in FY 2008-09. Mandated appropriations to the Department of Commerce would be increased by \$10,000,000 in FY 2008-09. In FY 2009-10, General Fund income tax revenue would be increased by \$3,996,778. FY 2010-11 General Fund income tax revenue would be reduced by \$2,439,988. General Fund income tax revenue would be further reduced by \$2,593,799 in FY 2011-12 and \$2,754,955 in FY 2012-13. The remainder of this fiscal impact provides a detailed analysis of the bill sections that are expected to impact revenues. Any sections of the bill not specifically addressed below are not expected to have an impact on state or local revenues.

Explanation of Amendments (April 16, 2008) – By the House Ways and Means Committee

Unnumbered Section added by Ways and Means Subcommittee. This amendment adds the language of H.4927/S.1098 which creates Section 12-6-3680 providing a refundable income tax credit for recycling facilities that manufacture a product composed of at least 50% recycled content. The credit amount is equal to 1% of the facilities electricity expenditures multiplied by their recycled product content starting in FY 2009-10 and increases to 2%, 3% and then 4% in each consecutive year. The credit is only available in years in which the Board of Economic Advisors' February 15th General Fund Revenue estimate for the upcoming fiscal year is a least 5% greater than the current fiscal year. Based upon a sample of recyclers, we estimate that 49.2% of the 94 recycling facilities identified by the Department of Commerce will qualify for the credit based upon the 50% recycled product content

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

requirement. We project that the total electricity expenditures are \$303,738,009 for qualifying facilities and the average recycled product content is 75.5%. Based upon these figures, we estimate that the credit will apply to \$229,322,197 for FY 2009-10. Therefore, we expect that the refundable credit at 1% of qualifying expenditures will reduce General Fund income tax revenue by \$2,293,222 in FY 2009-10 and an additional \$2,439,988 in FY 2010-11, \$2,593,799 in FY 2011-12, \$2,754,955 in FY 2012-13. The total income tax revenue reduction for the full 4% credit is estimated to be \$10,081,965 in FY 2012-13.

Unnumbered Section added by Ways and Means Subcommittee. This amendment deletes language in §12-21-3970 so as to set no limit on the number of bingo promoter licenses a person may obtain in this State to manage, operate or conduct bingo gaming for licensed nonprofit organizations. Currently, a promoter must obtain a separate license, at a fee of \$1,000, to oversee bingo gaming for each licensed nonprofit. The license is annually renewable and all proceeds go to the state's General Fund. Since a promoter is restricted to no more than five licenses, one can oversee no more than five licensees. Based on a review by the Department of Revenue (DOR), we expect elimination of this restriction would merely consolidate existing licenses held under different corporate subsidiaries and not generate a net increase in the total number of promoter licenses outstanding. Adoption of the amendment is therefore expected to have no net impact on Admissions - Bingo Tax collections within the General Fund in FY 2008-09. Since a bingo promoter must also secure a solicitor's license from the Office of the Secretary of State (SOS), at a cost of \$50 annually, this amendment would reduce earmarked funds of SOS by approximately \$1,250 in FY 2008-09 from an expected loss of 25 solicitor license renewals no longer required because of consolidation by bingo promoter firms and subsidiaries.

Explanation of the Bill filed March 26, 2008

The following is an explanation of the bill sections that are expected to impact revenues.

Section 8. This section amends Section 12-6-3360(A) to delete general contractors licensed by the South Carolina Department of Labor, Licensing and Regulation from being included as a "corporate office" as a type of qualifying business or facility for purposes of qualifying for an annual job tax credit. This amended language would prevent the use of job tax credits among general contractors from affecting future General Fund revenue collections in FY2008-09 and each fiscal year thereafter. This amended language would also prevent any taxpayer from filing amended tax returns to apply the job tax credit to past returns. This section takes effect upon approval by the Governor and applies to tax years beginning after December 31, 2005.

Section 9. This section amends Section 12-6-3376 providing a \$2,000 income tax credit for plug-in hybrid vehicles by changing the period for which the cap of \$200,000 applies from a fiscal year basis to a calendar year basis. During the change-over, the section requires taxpayers to use the credit for the eighteen-month period from July 1, 2008 to December 31, 2009 in their tax year containing December 31, 2009, and taxpayers may not claim the credit during FY 2008-09. Therefore the section increases General Fund individual income tax revenue by \$200,000 in FY 2008-09.

Section 16. This section amends Section 12-8-1530 to allow taxpayers that remit income tax withholdings and report taxes on a quarterly basis to report withholdings and taxes annually on income from the activities described in Section 12-8-520(D)1 through (11). These activities include, but are not limited to, farm laborers, domestic workers in a private residence, licensed members of the clergy, reimbursed moving expenses, payments from a self-employed retirement fund (Keogh Plans) or from an individual retirement account, and for services performed by a disabled person. Based upon

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

information provided by the U.S. Department of the Treasury, Internal Revenue Service, the U.S. Department of Labor, Bureau of Labor Statistics, the South Carolina Employment Security Commission, and the South Carolina Department of Revenue, changing the period of reporting income tax withholdings and taxes for specific quarterly filers to an annual basis will result in a reduction of \$6,900,000 of taxpayer withholdings and taxes in FY2008-09 to be shifted and reported in February of FY2009-10. The fourth quarterly return is due on or before the last day of February following the calendar year of the withholding. This section would take place upon the signature of the Governor and first applies to tax year 2008.

Section 39. This section adds language contained in H. 4815 which repeals the current Motion Picture Incentive Act which would eliminate the current sales and use tax exemption for motion picture production expenditures in South Carolina for companies that spend over \$250,000 in a year. Based on the nine projects that were granted payroll and expenditure rebates in FY 2006-07, we expect that motion picture production companies will spend \$33,000,000 in South Carolina in FY 2008-09. Of these expenditures, we expect that 20% of these purchases are for other labor services and 32% of the remaining purchases are for non-taxable items. The estimated \$17,952,000 taxed at 6% would increase sales tax revenue by \$1,077,120 in FY 2008-09. Of this total, \$718,080 would be an increase in General Fund sales tax revenue, \$179,520 would be an increase in EIA Fund revenue, and \$179,080 would be an increase in the Homestead Exemption Fund revenue. The repeal of the current Motion Picture Incentive Act would also eliminate the 2% accommodations tax exemption granted to motion picture production companies for expenditures on hotels and other housing rentals. Imposing the 2% tax on these expenditures would increase accommodations tax revenue allocated to local governments by \$44,500 in FY 2008-09. The current payroll rebates, up to 20% of South Carolina payroll if production costs exceed \$1 million a year, would be continued. These rebates, totaling \$8,377,757 in FY 2006-07, are currently refunded from General Fund income tax revenue. This Section would shift the payment of the payroll rebate to the required \$10,000,000 appropriation and 26% of the General Fund portion of the admissions tax allocated to the Department of Commerce. This would increase General Fund income tax revenue by \$8,377,757 in FY 2008-09 with a corresponding increase of \$10,000,000 in appropriations. The 26% of admissions tax allocated to the Department does not change. Admissions tax allocations to the Department of Commerce will increase by 2% to fund collaborative production and education efforts with higher education institutions and to fund a trainee wage reimbursement program. This would reduce General Fund admissions tax revenue by \$500,000 in FY 2008-09. In summary, this Section would increase General Fund sales and use tax revenue by \$718,080 and General Fund income tax revenue by \$8,377,757 in FY 2008-09. General Fund admissions tax revenue would decrease by \$500,000. Accounting for all these revenue impacts, net General Fund revenue would be increased by a total of \$8,595,837 in FY 2008-09. Additionally, sales tax revenue allocated to the EIA Fund and the Homestead Exemption Fund would increase by \$179,520, respectively and accommodations tax revenue allocated to local governments would increase by \$44,500 in FY 2008-09. Mandated appropriations to the Department of Commerce would be increased by \$10,000,000 in FY 2008-09.

Section 40. This section amends 12-21-2420 by extending the admissions tax exemption to paid admissions of a motorsports entertainment complex for five years beginning July 1, 2008. To qualify, a motorsports entertainment complex must have at least sixty thousand fixed seats and at least six days scheduled each year for motorsport events supported by nationally or internationally recognized motorsports authorities. There is one motorsports entertainment complex that would qualify under the provisions of this section. Based upon 2007 admissions revenues reported in the financial statements of the parent company of the complex, seating capacity of the complex, and the number of races per year, the BEA estimates that the qualifying motorsports complex will generate an estimated \$6,000,000

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

in admissions revenues in FY2008-09. Applying an admissions tax rate of five percent, this section is expected to reduce General Fund admissions tax revenues by an estimated \$300,000 in FY2008-09.

Section 41 C. This section amends Section 12-6-3410(A) expanding the corporate headquarters income tax credit to taxpayers other than corporations, including sole proprietorships, partnerships, LLCs, and LLPs. According to the SC Department of Revenue, two corporations claimed the corporate headquarters credit for an average amount of \$78,424 between 2003 and 2006. The BEA estimates that one taxpayer other than a corporation will qualify for the corporate headquarters credit in 2009. It is, therefore, estimated that this section will reduce General Fund corporate income tax revenue by \$39,212 in FY2008-09.

Section 42. This section amends Sections 12-6-3600, 12-6-3610, 12-6-3620, and 12-6-3631 relating to alternative fuels income tax credits by changing the period for which the credits apply from a fiscal year basis to a calendar year basis and requiring that the State Energy Office approve all credit claims. During the change-over, the section requires taxpayers to use the credit for the eighteen-month period from July 1, 2008 to December 31, 2009 in their tax year containing December 31, 2009, and taxpayers may not claim the credit during FY 2008-09. Additionally, the section amends Section 12-6-3610 by eliminating the limitation of \$1,000,000 for total credits earned for alternative fuels production facilities and eliminating the cap of \$150,000 on total credits claimed for alternative fuels distribution equipment and production facilities. The section increases General Fund individual income tax revenue by \$1,050,000 and increases General Fund corporate income tax and license fee revenue by \$650,000 in FY 2008-09 and decreases General Fund individual income tax revenue by an additional \$610,000 in FY 2009-10.

Section 45 B. This section amends 12-37-220(B) by adding a property tax exemption for mobile homes with a fair market value of less than two thousand five hundred dollars. We estimate exempting these mobile homes will reduce local property tax collections by \$140,000 in FY 2008-2009.

Section 45 C. Under current law, a boat, including its motor if the motor is separately taxed, which is not currently taxed in this State and is not used exclusively in interstate commerce, is subject to property tax in this State if it is present within this State for sixty consecutive days or for ninety days in the aggregate in a property tax year. This language was added to the Code of Laws by Act 386 of 2006. This section strikes the sixty consecutive days or ninety days in the aggregate requirement under current law for a boat to be taxable in this State and changes the requirement to one hundred eighty consecutive days or two hundred seventy days in the aggregate a boat must be present in this State to be subject to tax. Increasing the requirement to one hundred eighty consecutive days or two hundred seventy days in the aggregate is expected to decrease local property tax revenues by \$900,000.

Section 46 D. This section amends Section 61-6-2010(A) providing for a refund of the temporary fifty-two week permit for the possession, sale, and consumption of alcoholic liquors to the licensee upon surrender of the permit if it is found that the location of the permit is not within an authorized jurisdiction. Under current law, this permit is available for a nonrefundable fee of three thousand dollars per year plus a fifty dollar application fee. We expect that one taxpayer will apply for a refund and reduce General Fund revenues by \$3,050 in FY2008-09.

Section 47. This section updates conformity to the Internal Revenue Code as amended through December 31, 2007. Based on an analysis of federal law changes impacting South Carolina taxpayers included in the Small Business and Work Opportunity Tax Act and the Mortgage Forgiveness Debt

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact (Section 2-7-71)

Relief Act of 2007 by the Department of Revenue, we expect that the net effect of the various tax law changes will decrease General Fund income tax revenue by \$1,593,203 in FY 2008-09.

Section 49. This section authorizes motor fuel transporters in this State to certain administrative cost reimbursements to transition to electronic reporting of fees. These include reimbursement of start up costs not to exceed \$2,000 plus an annual reimbursement equal to \$3 per 100,000 gallons, or fraction thereof, transported based on a monthly average not to exceed \$1,200 yearly. Based on information provided by DOR, we expect 102 transporters to receive a one-time rebate of \$2,000. Multiplying \$2,000 times 102 yields \$204,000. We also anticipate a total cost reimbursement of \$10,057 based on DOR's estimate of over 335,000,000 gallons transported annually at a rebate of \$3 per 100,000 gallons. Adoption of this Section is therefore expected to reduce Motor Fuel Fees by a total of \$214,057 in FY 2008-09.

/s/WILLIAM C. GILLESPIE
William C. Gillespie, Ph.D.

Chief Economist

Analyst: Ball, DiBiase, Jolliff, Gibson, Martin, and
Shuford

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.